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## **Medicaid Inspector General seeks \$51.5 million recovery in Medicaid payments from Opiate Treatment Centers**

Medicaid Inspector General cracks down on fraudulent schemes by multiple methadone clinics statewide.

In cooperation with the Department of Health and Senior Services' Laboratory Inspectors, the Office of the Medicaid Inspector General (OMIG) has identified seven opiate treatment centers statewide that have fraudulently billed Medicaid in violation of Current Procedural Terminology (CPT Coding). CPT coding, a registered trademark of the American Medical Association, is a uniform system for identifying medical procedures which dictates what proper billing codes to be used for different services. It is an essential system for insurers such as Medicaid to determine appropriate reimbursement rates.

The OMIG is seeking recovery from these clinics totaling \$51,544,068 which includes the total amount of improper billings, as well as sanctions under the New Jersey False Claims Act. These centers, which include Khaleidoscope Health Center of Jersey City, New Street Treatment Center of Irvington, Suburban Treatment Center of Union, Habit OpCo of Irvington, Urban Treatment Center of Camden, and The Lennard Treatment Centers of Elizabeth and Newark, were found to have conducted three types of billing schemes which resulted in the centers improperly billing Medicaid a combined \$3,508,070.20. The majority of these billings were subject to penalties of \$1,000 per claim under the New Jersey False Claims Act for a total recovery of \$51,544,068.

Based upon a complaint filed with OMIG's Investigations Unit, OMIG Investigators found the following fraudulent billings: 1) multiple billings of one code for lab tests contrary

to current CPT billing code procedures; 2) billing for CPT codes that are not permitted for the types of tests performed; and 3) billing for tests that were not conducted because the facility did not have the required equipment to conduct the test.

Khaleidoscope Health Center, owned by Larry Ali Blake, Jr., 58, of Jersey City, is located at 75 Harrison Avenue, Jersey City, New Jersey. Urban Treatment Center, located at 424-32 Market Street in Camden, New Jersey is owned by John Holtsclaw, M.D., 42 of Cream Ridge, New Jersey. The Lennard Clinic, formerly owned by Erroll Lennard until his recent passing, is run by Lewis Ware, CEO. The Lennard Clinic has locations at 850 Woodruff Lane in Elizabeth and 461 Frelinghuysen Avenue, in Newark. New Street Treatment Center at 57 New Street, in Irvington, New Jersey and Suburban Treatment Center, at 43 Progress Street, Union, New Jersey formerly owned by Anthony Megaro, 59, of Wall Township, were purchased earlier in 2009 by Habit Op Co., also at 57 New Street, Suite 59 in Irvington. The improper billings of both New Street Treatment Center and Suburban Treatment Center occurred both during Megaro's ownership as well as under the new ownership of Habit Co, whose President is Thomas Magaraci of Brookline, Massachusetts. "The conduct of these centers demonstrated a complete lack of responsibility over precious Medicaid dollars," commented Medicaid Inspector General Mark Anderson. These centers billed 15,000, 25,000, even 73,000 improper claims for one CPT code in less than a two-year period.

In addition to seeking a recovery for the money owed to the State Medicaid Program, computer systems have been changed to prevent these treatment centers from being able to improperly bill multiple times for the same test and to limit the number of times certain codes can be used. "It is just as important, if not more important, to implement changes to the current system so we are not always chasing money after it goes out the door. Our office is charged not only with recovering money but prevention", says Medicaid Inspector General Mark Anderson.

These centers will also have to file Corrective Action Plans (CAPs) with OMIG outlining the steps and safeguards they will take to assure that future billings will be accurate using the appropriate billing procedure codes.